



Retirement Investors' Club (RIC)

403b Plans

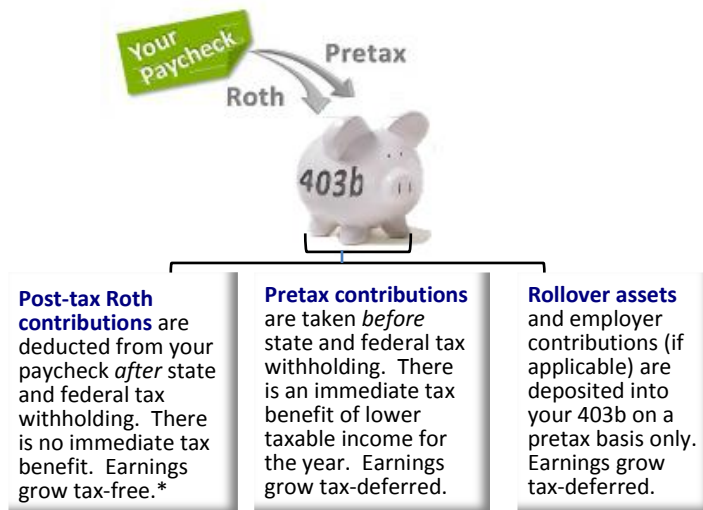
Look *forward* to retirement!

Roth 403b Summary

The Iowa Retirement Investors' Club (RIC) 403b program is an employer-sponsored supplemental retirement savings benefit that provides an easy way for you to save a portion of current wages for future income needs. RIC has no vesting requirements..

If your employer offers a Roth 403b option in your plan, the following information applies. To determine if the Roth 403b option is available, review your employer's specific plan details by going to https://das.iowa.gov/RIC/403b/plan_details.

Here's how it works. Through salary deferrals, RIC participants elect to make pretax and/or post-tax 403b contributions. The total of all 403b contributions may not exceed the IRS annual maximum contribution limits. The 403b account also accepts eligible pretax roll-in assets from outside retirement savings.



What is the Roth 403b? The Roth 403b option allows you to save post-tax dollars and potentially accumulate *tax-free* investment earnings for use in retirement.

Is the Roth 403b right for me? The answer to that question depends on whether you want to pay taxes on your savings dollars now or later. Some factors to consider include your age, years to retirement, current tax rate/need for tax relief, projected tax rate at retirement (with taxable pension & SS payments), possibility of fewer tax deductions in retirement, and projected earnings. If you are not sure how the Roth 403b option will affect your savings goals, consult with a financial advisor or tax professional.

What if I want to change my contribution election to post-tax or pretax? You may change the tax status of your future contributions by simply designating your **total pre &/or post-tax salary deferral amount per paycheck** on the RIC *Salary Reduction Form* available at <https://das.iowa.gov/RIC/403b/documents>. Pretax and post-tax contributions are accounted for separately by your provider.

Do Roth distributions have restrictions? For both pretax and Roth 403b assets, a distributable event must occur in order to take an eligible distribution. 403b plan distributions are not required until you reach age 70½ or retire, whichever is later. Once eligible for distribution, you may take income or roll RIC assets to another retirement account. 403b assets rolled out of RIC are subject to the distribution rules of the receiving plan.

RIC 403b Plan Distributions

	Pretax	Roth (after-tax)
Distributable Events	<ul style="list-style-type: none">– Separation from employment– Attainment of age 59½– Approved hardship withdrawal– Disability– Death– Service credit purchase Death	<ul style="list-style-type: none">– Separation from employment– Attainment of age 59½– Approved hardship withdrawal– Disability– Death
Taxation of Contributions	Subject to federal and most state income taxes	Tax-free
Taxation of Earnings	Subject to federal and most state income taxes	Tax-free if qualified (distributable event has occurred, account is held 5+ years; and participant is age 59½ +, disabled, or deceased).
Required Minimum	Annual payments must begin no later than age 70½, unless still working	

* Roth earnings are tax-free if a distributable event has occurred, Roth account is held 5+ years, and participant is age 59½ or older, disabled, or deceased.

See *additional information on reverse side.* ➡

Can my pretax 403b assets be converted to post-tax Roth in my 403b?

Yes, if you meet one of the following:

- Separation from employment
- Attainment of age 59 ½
- Have pretax 403b roll-in assets from an outside plan

This is a taxable event.

How does the Roth 403b differ from the Roth IRA? Unlike the Roth IRA, the Roth 403b offered by your employer is funded through salary deductions, has no income limit requirements, and has considerably higher annual contribution limits (that do not co-ordinate with the Roth IRA annual limits). Eligibility for distribution from a Roth 403b account differs from the Roth IRA but requirements for qualified (tax-free) distribution of Roth earnings are the same for both the Roth IRA and Roth 403b.

Basic Comparison of 403b and Roth IRA Plan Rules

	403b Plan		Roth IRA
	Pretax	Roth (after-tax)	
Contributions	Pre-tax employee contributions are made with before-tax dollars	Roth employee contributions are made with after-tax dollars	Roth IRA contributions are made with after-tax dollars
2015 Income Limits (Modified AGI)	None		Income limits (2015): <ul style="list-style-type: none"> – Married \$193,000 – Single \$131,000
2015 Maximum Elective Contributions	Combined employee elective contributions limited to: <ul style="list-style-type: none"> – \$18,000 – \$21,000 if eligible for 15-yr catch-up – \$24,000 (if age 50+) – \$27,000 if eligible for 15-yr catch-up and age 50+ 		Contribution limited to: <ul style="list-style-type: none"> – \$5,500 – \$6,500 (if age 50+)
Distributable Events	<ul style="list-style-type: none"> – Severance from employment – Attainment of age 59½ – Death – Hardship withdrawal – Purchase of service credits 	<ul style="list-style-type: none"> – Severance from employment – Attainment of age 59½ – Death – Hardship withdrawal 	None required
Taxation of Distributions	Distributions of contributions and earnings are subject to federal and most state income taxes	Distributions of contributions and earnings are tax-free if qualified. A qualified distribution requires: <ol style="list-style-type: none"> 1. A distributable event 2. Account is held for 5+ yrs; and 3. Participant is age 59½ +, disabled, or deceased. 	Distributions of contributions and earnings are tax-free if qualified. A qualified distribution requires: <ol style="list-style-type: none"> 1. Account is held for 5+ yrs; and 2. Participant is age 59½+, disabled, or deceased.
Required Distributions	Distributions must begin no later than age 70½, unless still working		No requirement to start taking distributions while owner is alive